

**Minutes Of The Board Of Trustees  
City Of Cincinnati  
Retirement System  
October 2, 2003**

The Chairperson called the meeting to order at 1:30 p.m. with the following members present:

John Bowling  
Minette Cooper (Proxy for Mayor Luken)  
John Cranley  
Joe Harrison  
William Moller, Secretary  
Brian Pickering  
Michael Rachford  
V. Daniel Radford, Chairperson  
Tim Riordan (Proxy for Valerie Lemmie)  
Ely Ryder  
Edwin Volpe

Mr. Radford called for a motion to approve the minutes from the September 5, 2003 Board meeting. The motion was made by Mr. Harrison, seconded by Mr. Ryder and carried by the Board. The minutes were approved as prepared by the Secretary.

**BENEFITS COMMITTEE**

Mr. Harrison reported that the Benefits Committee met on October 1, 2003 at 2:00 p.m. in Committee Room B. Mr. Harrison gave the following report.

1. Application for Ordinary Retirement October 1, 2003: Total – 14

<b>No.</b>	<b>NAME</b>	<b>DEPARTMENT</b>
31775	Michael Bedel	Water Works
38516	Wanda Taylor-Smith	University Hospital
38825	Judith Sheanshang-Heilman	Transportation & Engineering
39046	Gregory Nippert	Water Works
39056	Geraldo Perrotta	University of Cincinnati
39667	Michael Nash	Hamilton County
40057	Richard Neal	University of Cincinnati
40076	Jayantilal Gala	Engineering
40079	Mark Kron	MSD
40090	Diane Wilkerson	Transportation & Engineering
41125	Paul Myers	Buildings & Inspections
48362	Mary Taylor	Police
42833	Anthony Malone	MSD
55404	Jack McWilliams	Community Development

2. Application for Retired Members Death: Total - 11

3. Application for Disability Retirements: Total - 1

<b>NO.</b>	<b>NAME</b>	<b>DEPARTMENT</b>
49488	Ellen Guerrant	Finance

Mr. Harrison also reported to the Board that the Benefits Committee discussed the granting of prior service time to Mr. Richard Phillips. Mr. Phillips was originally hired as a part-time employee and ineligible for retirement membership. Upon being converted to a full-time employee, the appropriate steps to classify him as a full-time employee and enroll him into the retirement system were not taken by his City agency. The Civil Service Commission has granted Mr. Phillips with credit for 3.84 years prior service time for personnel issues, but these Civil Service actions do not apply to the retirement service credit. Mr. Harrison reported that the Benefits Committee recommends the Board allow the purchase of prior service time for a total cost \$43,147.81 plus interest if paid after 10/01/03. The Committee also recommends that of this amount Mr. Phillips pay (under the reciprocity and prior service rules now in place) a cost of \$13,659.30 and the Employer pay \$29,488.51. It was the recommendation of the Committee that Mr. Phillips must take action within six months to purchase this prior service time.

Mr. Harrison made a motion to approve the Benefits Committee recommendations, seconded by Mr. Moller. The motion passed unanimously by the Board.

## **INVESTMENT COMMITTEE**

Mr. Moller reported that the Investment Committee met on September 5, 2003 in Committee Room B immediately following the Board meeting. At this meeting, the Investment Consultant presented the performance report for the second quarter.

The investment return of the total fund for the second quarter was 11.54%, under-performing the Cincinnati benchmark that returned 12.06%. The under-performance of the total fund relative to the benchmark is a result of both the domestic equity managers and the international equity managers as a group trailing their respective benchmarks. The domestic equity managers as a group trailed the Russell 3000 benchmark by 127 basis points (14.98% vs. 16.25%) and the international equity managers trailed the EAFE benchmark by 241 basis points (17.15% vs. 19.56%).

Mr. Moller also reported that the Investment Committee agreed to leave four managers on the Watch List. These four managers are Oppenheimer, Navellier, Deutsche Bank, and First State.

Mr. Riordan urged the Investment Committee to consider moving more assets into index types of funds. Mr. Riordan commented that he has been involved with the investment of the retirement system assets for five years, and he has witnessed active equity managers under-performing their benchmarks year after year. Mr. Radford responded that these types of investment strategy issues would be further discussed upon the conclusion of the asset/liability study.

## **SECRETARY'S REPORT**

The Secretary submitted the following report:

1. Resolution for Enrollment of New Members – Total: 64
2. Resolution for Return of Contributions – Total: 30 Amount: \$75,701.23
3. Resolution for Loans to Members – Total: 50 Amount: \$523,723.41
4. Report on Deaths of Pensioned Members – Total: 15
5. Report on Military Service Credit prior to Membership – Total: 3

The Secretary submitted the following vouchers for payment:

<b>PAYEE</b>	<b>AMOUNT</b>
Pension Consulting Alliance Inc.- For professional services rendered	\$30,000.00
Advanced Transitions Inc. – Professional Case Management Time	\$1,216.30
Postmaster Cincinnati – Business Reply Mail	\$625.00
ABS Business Products Inc. – Fax Base Rate	\$135.00
City of Cincinnati – Printing Services	\$2,067.11
The Journal of Portfolio Mgmt.- Subscription renewal for Bruce Fink	\$400.00
Mercer Human Resource Consulting – For professional services rendered July 2003	\$1,236.00
ABS Business Products Inc, - Monthly Rental Base Rate for Copier	\$238.50

BIS Business Information Solutions Inc. – Storage of CRS files	\$50.40
City of Cincinnati – Division of Stores – Billing for Stores Items for August	\$55.51
Langenheim & Thompson Co. – Lock installation in room 240	343.00
Edwin Volpe – Parking reimbursement	\$7.00
Mae Consulting Inc. – Professional Services Rendered	\$3,130.00
Mercer Human Resource Consulting – For Professional Services Rendered	\$4,723.00
Paul T. Hogle MD – Disability Examinations	\$1,325.60
Assured Micro Services, Inc. General Maintenance Agreement for On-Base	\$7,155.00
City of Cincinnati – Dept. of Finance – For services performed by the Finance Director for 2003	\$25,000.00

The Secretary reported that at the close of business, September 30, 2003, there was in the Treasury, to the credit of the Retirement System \$2,231,964.44.

Mr. Moller reported that the asset level of the System as of 7/31/03 had increased to \$2.11 billion from \$1.99 billion at the beginning of the year and \$2.07 billion one-year ago.

Mr. Moller also commented that based upon un-audited data provided by the Bank of New York, the actual asset allocations are currently in line with the target allocations. As of 9/30/2003, the actual allocations were 51.6% domestic equities, 13.9% international equities, 33.7% fixed income and 0.8% alternative assets.

**Asset Valuation:**

- December 31, 2002: \$1.99 billion
- July 31, 2003: \$2.12 billion
- YTD Increase (Decrease): 6.18%

**Current Asset Allocation: (Policy Objective)**

- Domestic Equity: 55.3% (50%)
- International: 13.4% (13.5%)
- Fixed Income: 30.1% (33.5%)
- Alternative Assets/Treasury Cash: 1.2% (3%)

**PENDING BUSINESS**

Asset/Liability Study:

Mr. Moller stated that the enhancements to the asset/liability funding model approved by the Board at the September meeting are almost complete. The next step in the asset/liability study is to get the Board involved in a risk-tolerance exercise to help establish the financial objectives to utilize in the study. Mr. Ryder commented that because the City will be required to make sufficient contributions to maintain the financial strength of the Fund, City Council should be included in these risk-tolerance exercises. Mr. Radford agreed that including City Council in the discussions would be

helpful, but he reminded the Board that investment strategy decisions are the responsibility of the Retirement Board.

Mr. Radford commented that his discussions with many other public pension plans and Taft-Hartley funds has revealed that these other funds are dealing with the same types of issues and problems that the Board now faces.

Although the funding level is close to 100%, the eligibility of many active members to retire over the next five to ten years is going to create a financial strain to the System. Mr. Radford commented that these financial issues must be communicated to the members and the Board must begin developing strategies for dealing with these funding issues.

#### Corporate Governance:

Mr. Fink stated that he met with Cindy Richson of Ohio PERS in Columbus Ohio and two vendors that provide proxy-voting recommendations on corporate governance issues. Mr. Fink commented that the other Ohio funds are also at the beginning stages of developing their corporate governance policies. Mr. Riordan asked what the objective of the Investment Committee is in establishing corporate governance policies, and Mr. Fink stated that specific goals/objectives have not yet been set. Mr. Moller commented that a preliminary objective would be to learn what the other Ohio funds are doing and determine if it is feasible to establish a consortium among the Ohio funds to establish common governance policies and enhance voting power.

#### Direct Deposit Statements

Mr. Giles of the retirement staff reported that the social security numbers currently on the direct deposit receipts of pensioners would be removed from the statements within 60 days.

Roshani Hardin, Assistant City Solicitor, informed the Board that her assignment in the Law Department has been revised and will no longer handle retirement related issues. Ms. Hardin introduced Ms. Laura Porter who will now be the legal counsel to the Retirement Board.

#### **ADJOURNMENT**

Upon request of Mr. Radford for a motion to adjourn, the motion was made by Mr. Harrison, seconded by Ms. Cooper and carried. The meeting adjourned at 2:10 p.m.